

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL TWO)

Docket No. RM2020-7

NOTICE OF THE UNITED STATES POSTAL SERVICE OF MINOR
REVISIONS TO PROPOSAL TWO MATERIALS -- ERRATA
(April 14, 2020)

On April 7, 2020, the Postal Service filed a Petition to initiate a proceeding regarding proposed changes to attribution procedures for city carrier costs, labeled as Proposal Two. Submitted with the Petition regarding Proposal Two were various materials, including a Proposal document summarizing the updated procedures, a Report document explaining in greater detail, and public and non-public supporting documentation. As discussed below, the Postal Service has identified the need to rectify a minor omission in the public documentation, which in turn caused very minor revisions to the Proposal and Report documents. Revised versions of the affected pages of the Proposal and Report are attached. A separate Notice is also being filed today with respect to the public folder being revised – USPS-RM2020-7-1.

The primary thrust of Proposal Two is to introduce procedures to update regular route variabilities to account for observed relative changes in mail volumes across types of delivered mail. Included as well, however, were materials showing how to apply the new variabilities within the broader framework of city carrier costing procedures, and illustrating what the impact of the new methodology would have been if applied to data

for FY 2019. Fortunately, the omission affected neither the newly calculated variabilities nor the impact on product costs as would be presented in the Cost and Revenue Analysis. What it did affect is the division of flats street time costs for Periodicals between FSS and non-FSS zones. Specifically, the Postal Service's initial submission inadvertently omitted the impact on certain support costs for Periodicals in the FSS costing model. No other products were affected. The omitted support costs are small, and including them has no material impact on the comparison of delivery costs in FSS and non FSS zones. A new version of public documentation material has been prepared in which this omission has been rectified, and that material is submitted separately as revised USPS-RM2020-7-1. Flowing those corrections through to certain tables in the Proposal document and Report document requires corresponding revisions in those materials as well. The changes are very minor, however, and as explained above, have no material effect on the substance of Proposal Two.

The revisions have identical effects on both the Proposal and the Report, because the two documents contain parallel versions of the same table. In Table 4 on page 8 of the Proposal, and Table 7 on page 16 of the Report, three numbers change very slightly. In the portion of the table "Based on FY19 Volume," with respect to FSS costs for Periodicals Flats, the city carrier total unit cost changes from 10.2 cents (filed) to 10.0 cents (corrected), and the City + Rural unit cost changes from 11.8 cents (filed) to 11.6 cents (corrected). For Periodicals Non-FSS costs, the total city unit cost changes from 10.5 cents (filed) to 10.4 cents (corrected), but the rounded City + Rural total unit cost of 15.5 cents does not change. On the attached pages, the revised cells

in each table are highlighted in gray.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Revised Page 8 of Proposal Two Text

Table 4
Carrier Unit Flats Costs
Based on CCSTS Volumes

Destinating FSS Zones

Class, Shape, or Rate Category	City In-Office	City Street	City Total	City Plus Rural
Periodicals Flats	0.032	0.107	0.139	0.155
Bound Printed Matter Flats	0.040	0.076	0.117	0.131
USPS Marketing Mail Flats	0.058	0.110	0.169	0.185
Carrier Route Flats	0.032	0.107	0.139	0.156

Destinating Non-FSS Zones

Class, Shape, or Rate Category	City In-Office	City Street	City Total	City Plus Rural
Periodicals Flats	0.071	0.032	0.102	0.152
Bound Printed Matter Flats	0.098	0.045	0.143	0.185
USPS Marketing Mail Flats	0.141	0.033	0.174	0.218
Carrier Route Flats	0.075	0.038	0.113	0.161

Based on FY19 Volumes**Destinating FSS Zones**

Class, Shape, or Rate Category	City In-Office	City Street	City Total	City Plus Rural
Periodicals Flats	0.030	0.071	0.100	0.116
Bound Printed Matter Flats	0.039	0.054	0.093	0.107
USPS Marketing Mail Flats	0.056	0.073	0.129	0.146
Carrier Route Flats	0.030	0.071	0.101	0.118

Destinating Non-FSS Zones

Class, Shape, or Rate Category	City In-Office	City Street	City Total	City Plus Rural
Periodicals Flats	0.071	0.034	0.104	0.155
Bound Printed Matter Flats	0.098	0.048	0.146	0.188
USPS Marketing Mail Flats	0.142	0.035	0.176	0.220
Carrier Route Flats	0.075	0.040	0.115	0.163

The use of the FY 2019 volumes to calculate the variabilities leads to changes to some degree in the volume variable city carrier costs for nearly all products.² For most

² The new unit volume variable city carrier costs are calculated in Unit Cost Changes.xlsx in USPS-RM2020-7-1. The results for individual competitive products are presented under seal in the non-public folder entitled USPS-RM2020-7-NP1.

**Revised Page 16 of Proposal Two Report
("A Methodology for Updating the City Carrier Regular Delivery Variabilities")**

Table 7
Carrier Unit Flats Costs
Based on CCSTS Volumes

Destinating FSS Zones

Class, Shape, or Rate Category	City In-Office	City Street	City Total	City Plus Rural
Periodicals Flats	0.032	0.107	0.139	0.155
Bound Printed Matter Flats	0.040	0.076	0.117	0.131
USPS Marketing Mail Flats	0.058	0.110	0.169	0.185
Carrier Route Flats	0.032	0.107	0.139	0.156

Destinating Non-FSS Zones

Class, Shape, or Rate Category	City In-Office	City Street	City Total	City Plus Rural
Periodicals Flats	0.071	0.032	0.102	0.152
Bound Printed Matter Flats	0.098	0.045	0.143	0.185
USPS Marketing Mail Flats	0.141	0.033	0.174	0.218
Carrier Route Flats	0.075	0.038	0.113	0.161

Based on FY 2019 Volumes**Destinating FSS Zones**

Class, Shape, or Rate Category	City In-Office	City Street	City Total	City Plus Rural
Periodicals Flats	0.030	0.071	0.100	0.116
Bound Printed Matter Flats	0.039	0.054	0.093	0.107
USPS Marketing Mail Flats	0.056	0.073	0.129	0.146
Carrier Route Flats	0.030	0.071	0.101	0.118

Destinating Non-FSS Zones

Class, Shape, or Rate Category	City In-Office	City Street	City Total	City Plus Rural
Periodicals Flats	0.071	0.034	0.104	0.155
Bound Printed Matter Flats	0.098	0.048	0.146	0.188
USPS Marketing Mail Flats	0.142	0.035	0.176	0.220
Carrier Route Flats	0.075	0.040	0.115	0.163

The use of the FY 2019 volumes to calculate the variabilities leads to changes to some degree in the volume variable city carrier costs for nearly all products.¹⁵ For most

¹⁵ The new unit volume variable city carrier costs are calculated in Calculate Unit Carrier Cost with New Variabilities.xlsx in USPS-RM2020-7 -1. The results for individual